Pike

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BY JAMES S. PIKE,

LATE MINISTER TO THE HAGUE.

REPUBLISHED FROM THE NEW YORK TRIBUNE.

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CHAPTER I.

FIRST DUTY OF GOVERNMENT.—FULL SUPPLY OF THE PRECIOUS METALS.

It belongs to Government to establish fixed and invariable standards of weight, measure, and value, and we may add, to enact general provisions of law for the generous development and adequate protection of its industry. After this, it should take its hand entirely off business affairs. When the community requires agencies of one sort and another to facilitate their transactions, whether they be manufacturing, transportation, trading, or banking companies, there should be no limitation nor hindrance to the accomplishment of their desire, except the limitations of general laws to secure the public against fraud and imposition. The measure of its wants should be left to itself. The country really needs nothing now so much as for the Government to get out of the mischievous and anomalous attitude in money affairs into which it was involuntary plunged by the slave-holders' Rebellion. It intruded itself into the markets, and became a huge and universal purchaser. It came upon every public exchange, and went into every private circle, and became a universal borrower. It made itself the issuer of every form of obligation that anybody would take. All of which conduct was unavoidable, but equally unnatural and deplorable. The result has been, first, great prosperity to the trading and producing world; and second, great and corresponding suffering and disaster, in the presence of which, still growing, still accumulating, we now stand. The end will be reached when this unnatural state of things is brought to a final termination, and not

till then. And it is everybodys interest that it should be terminated as soon as possible.

Now the Government has long been out of the field as a gigantic purchaser, leaving trade to its natural supports, namely, the wants of regular consumers. Its next palpable duty is to fund its obligations and provide for the interest thereon, and above all, to take up, get out of sight, the notes with which it has flooded the country during its great necessities, to the violent and illegal exclusion of the universal standard of value. The only really vital and enduring interest which Congress and the business community have in this process, consists in their wishing it godspeed, and aiding it all that lies in their power. But behold what they do. They clamorously urge that the Government shall not pay its notes, nor withdraw them from private hands even to the extent it has the desire and the means wherewith to retire them! Can anything be more preposterous than this, in view of the palpable causes of our depressed financial condition? Because all healthy industry, and all legitimate trade needs nothing, and can bear nothing but a fixed standard of value, or its paper representative, always convertible into the standard itself, or what is the same thing, products measured by the standard price.

Happily, there can be no longer any pretense that we cannot realize this result after our great expenditures, since the world is at this hour full of the precious metals. The banks of all specie-paying countries are stuffed with them. There was never such hoards accumulated before since banks existed, and the channels of trade and circulation, are filled with them in every country but this. In addition to this, the golden stream of our own products is pouring its flood over the mountains, and over the Isthmus at the rate of a hundred millions a year. How lamentable, how childish, how imbecile in us, with all our boasted riches, and enterprise, and pluck, under such circumstances of affluence of the precious metals, to stand timid and apprehensive before the bold speculators and monopolizers, greedy, unscrupulous, bankrupt, who cry out for a continuance of the existing system of national impoverishment and disgrace.

CHAPTER II.

CONDITION OF THE PAPER CIRCULATION.—ERRORS OF THE INFLATIONISTS.—CAUSE OF THE PRESENT DEPRESSION OF TRADE.

What Congressional discussion seems sorely to need, is that somebody should uncover the foundations of our subject, and plant a few corner-stones on which an intelligible review of the whole question can be reared. The first requisite in a good physician is the skill to make a good diagnosis. He must first be able to tell what ails his patient before he can begin to cure him. Congress in legislating anew on the financial question, should begin by expounding the situation, and then we can all be the better judges of its intelligence, and the wisdom of its proposed measures.

We have had a great war. The Government has been an enormous purchaser and consumer, and has filled the channels of trade with its promises to pay. Many have been paid. Many remain outstanding. Its demand notes used as money during and since the war, have swollen the circulation immensely. The Secretary of the Treasury, under Congressional guidance, has been slowly paying these notes, retiring them with a view to the ultimate resumption of specie payments. He wishes to be allowed to go on with the process, which Congress sanctioned in the outset with remarkable unanimity.

The process is most natural and inevitable, if we are ever to return to specie. But it turns out, as everybody of any thought knew it must turn out, that the process of contraction is not so easy nor so profitable as the process of inflation. And, although the contraction has not proceeded so far as to reduce the premium on specie, gold being worth as much in paper as it was a year ago, yet a great outcry is raised that the business of the country is being ruined by the process. The evidence of this being found in falling markets and general stagnation.

In this consists the fundamental error of the inflationists, in which it is easy to see Mr. Sherman participates, from a remark he casually let fall during a late discussion, when asked when he

proposed to resume contraction, he replied: "As soon as the business of the country revives and becomes prosperous."

Now, the real truth is, that the existing financial situation, the pressure and distress in certain trading and producing circles, is not to be attributed to the contraction of the currency but to totally different causes. First to be mentioned is superabundant production and relaxed consumption; second is the natural reaction from extravagant to moderate prices, which always follows a period of high commercial and speculative excitement; a reaction growing out of the nature of things, and which often takes place without any reference to the volume of money in circulation. It being merely a contest between buyer and seller, in which the buyer always wins in the long run, because of his inability long to pay extravagant rates. A third and commanding reason is the distrust of capital which always withdraws on declining markets; and when affairs are agitated and unsettled, waits for them to get into a natural condition.

The business of the country languishes for want of consumers. Capitalists and prudent men everywhere, seeing the reaction from the high excitements of the war, and the unnatural condition of the currency, are waiting for things to touch bottom, knowing that there is, and can be nothing solid till we reach specie payments. The naked truth is, that we have reached the settling time of a long career of the speculators, the middlemen, the operators in every walk, and even of the great producing establishments, and the Government itself. And this settlement is not to be avoided. After every storm comes a calm; after every excitement a relapse. The history of the whole trading world is filled with just such examples. Inflation is followed by collapse; high prices by low; great profits by great losses; unnatural excitement by corresponding depression; extravagance by economies. But, above all, the gigantic evils of an irredeemable paper currency were never overcome or escaped from but by severe sacrifices.

Such being the condition of things, what signifies it that we arrest contraction, or even renewedly inflate the currency? The channels of circulation are over full now. No supply of paper money can create one single consumer, and it is consumers, that are wanted to make trade active and business prosperous. It is

alleged on the floor of Congress, that there is great distress among workingmen; only low wages and scarcity of work. What suicidal folly to inflate or continue inflation, and thus enhance the prices of living to them, when no issue of paper money can give them a day's work. We are just entering upon a new phase of our paper money experience. We are now to see the joint operation of the oppression and robbery of the laboring classes by means of an inflated currency.

CHAPTER III.

DISASTROUS EFFECTS OF AN INFLATED CURRENCY ON THE LABORING CLASSES.

It has long been a current maxim that no scheme was ever invented so effectual for the impoverishment of the laboring man; to make, in a word, the rich richer, and the poor poorer, as the circulation of irredeemable paper money. This is easily explained. An inflated currency, in the first instance, enhances the prices of all commodities, not always or necessarily affecting the wages of labor. The laborer, under a depreciated currency pays more for his living and gets no more for his work. If it be said that this is not our experience, we may acknowledge the fact without controverting the argument, since our condition was exceptional during the war, when the demand for men for consumption was as great as for everything else. But this condition being terminated, the demand for labor falls to its natural level. And we now see that the price of labor has fallen materially, and the demand is unequal to its employment, while the price of living is in no way lessened; or at best, not lessened in any corresponding degree to the falling off in the demand for, and in the wages of labor. This is the simple matter of fact, which has found full expression on the floor of Congress.

Now what is the philosophy of it? The excessive supply of the circulating medium stimulates all sorts of speculation, and at the same time enables speculators, and operators, and capitalists to monopolize and hold for enhanced prices all articles of prime

necessity, such as breadstuffs and provisions of all sorts. This is the state of things to-day. The West is the great producer and factor of these products. Every article of food is now almost, or quite as high as during the war, enjoying famine prices, and this, owing to a considerable extent, to the gigantic speculations in those commodities, through the intervention of a swollen paper currency. Yet the same West is discontented, and clamors for more paper money for speculation, and to enable them to realize yet higher prices. This may do for Senators Sherman and Morton, but it is grinding the laboring consumer between the upper and nether millstone.

If it be asked why the rule of increased prices under an inflated currency does not apply to labor as well as to other things, the answer is plain. Labor cannot hoard itself in warehouses and granaries. It is compelled to sell itself day by day. It is pre-eminently a perishable article. Its whole daily aggregate value is sunk and lost every day it is unemployed. And as it cannot be capitalized, so to speak, and held in mass (coöperative industry not having yet reached this point), it is in constant and unnatural competition with itself. And herein consists the essential difference in this respect between labor and commodities, which can be, and are seized and held for high prices by capitalists and speculators, and which a plethora of the circulating medium is the great agent in accomplishing.

The reduction of the currency under the contraction policy, acting with other potent causes, such as over-production and the natural collapse of undue expansion, has already reduced prices very materially in many important branches of trade. It has brought down the prices of many imported and domestic fabrics within the reach of thousands of poor consumers. This fall of prices has been of inestimable benefit to the country. But the policy of Messrs. Sherman, Morton and Company, tend directly to a rise of prices again in the articles which have given way in price, and thus will operate as a new burden upon the masses of consumers. At the same time it will tend to advance the already exorbitant rates of living, and furnish no demand for labor, and no increase in its price.

The great fact projecting itself as plain as noon-day, is, that we are in a transitional state which paralyzes enterprise and

affrights capital, and that thus no tinkering of the currency can stimulate trade or production, and so relieve the condition of things, so far as labor is concerned. Gentlemen may as well understand then, that they thus may fail to get as many votes as they will lose by their inflation policy, and find when it is too late, that politics and finance had better be kept separate.

CHAPTER IV.

LIKELIHOOD OF FURTHER INFLATION.—CAUSES OF SCARCITY OF MONEY IN THE SOUTH.

The fact that the Senate has, by eight majority, refused to commit itself against issuing additional currency, coupled with Senator Henderson's fervent declaration that he desired an increase, and Senator Morton's well-understood concurrence in these views, is evidence of the underset of the currents in the Senate toward more irredeemable paper.

The reason this error is likely to be committed is plain. The men who favor it, and those who are toying with it, unwilling to say yes or no, fatally mistake the character of our financial disorders, believing and asserting them to arise from a deficiency of the circulating medium. If this be true, the circulation ought to be increased; and if it be not true, why the precipitate legislation of Congress to stop its further diminution at all hazards, and without reference to the ability of the Government to take up its obligations at a moderate rate, or to future changing circumstances? Relief is expected from arresting contraction. More relief would then certainly follow from a "judicious" addition to the circulation. Is'nt this the logic of the case? Mr. Sherman said in debate, that he did'nt expect the country to resume contraction; in other words, again move towards specie payments, "until the prosperity of the country revived?" Showing that he looks for "revived prosperity" under the present, and if necessary, a still more inflated state of the currency. This statement of itself discloses the unsoundness of Mr. Sherman's fundamental ideas on the whole subject, and

shows that, whether he admits it or not, he is at bottom an inflationist. What effect public opinion, or public discussion may have on Mr. Sherman's *action*, is another thing. He is a gentleman of sharp instincts and amiable intentions—too amiable we fear sometimes.

In the main, therefore, the debates and votes of the Senate lead to the conclusion that the finances of the country are in the hands of the inflationists, and that instead of money affairs being on the path of improvement as they have been for a year past, we are likely to get further into the mire of dishonored obligations, of disgraced national reputation, and increased robbery of the earnings of labor.

When it shall be seen, as it will be seen, that forbidding the Government to pay even that portion of its debts that it shall from time to time feel able to pay, (for that is all there is in the act of retiring greenbacks,) will not be of the slightest moment in reviving trade and industry, that it will do nothing toward employing labor or enhancing its wages, that it will not relieve our manufacturing industry of the burdens from which it suffers, that it will not create one domestic consumer the more, and has the inevitable consequence of destroying all foreign consumption of our fabrics, what shall we see? Why, that the Hendersons and the Mortons, and probably by that time the Shermans, too, will try to improve upon their present policy by giving relief in the shape of more greenbacks. If they continue to insist, as unquestionably they will continue to insist, that the great want of the country is an enlarged paper circulating medium, why should they not?

The real foundation of all this complaint about the scarcity of money in certain quarters, is to be found in the condition of the people. There is depression everywhere, and throughout the South there is exhaustion and ruin. It would not add to the riches, nor make money any plentier in the Southern country if a bank of a million of dollars capital were to be planted in every town of 10,000 inhabitants therein. The difficulty is want of solvent borrowers, or, in other words, of men who can respond promptly to their engagements at maturity. These are what make banks, and sustain banks, and where they are not, banks cannot exist. We dare confidently affirm, that the whole South

and South-West could to-day be filled to overflowing with money, without a greenback or a bank, if it only had the wherewith to exchange for money. If it was full of cotton and corn, and sugar, the factors of every nation, and of all parts of this nation, are already on the spot to offer full equivalents in gold or silver, or greenbacks, for every dollar's worth. It is not greenbacks that are wanting. It is not money that is wanting. It is the commodities with which to exchange for money, or the credit which, to some extent, stands in their stead. Money goes over the world everywhere where there is anything to pay for it. In the profusion of the precious metals of our days, banks are not essential, paper money is not essential, and least of all is the wretched expedient of irredeemable Government notes, which legitimate commerce scorns and stamps with discredit; needed to fill the channels of circulation. So plain are these propositions that the bare statement of them is sufficient to confute and condemn the statesmanship of every man who holds that a nation is enriched, or a people raised from poverty to affluence, or its trade revived, or its labor employed, or its productions increased, simply by the expedient of issuing Government promises to pay, or bank notes.

These are but the tokens of trade and exchange, the agencies of distribution, and as there is in the existing volume of our irredeemable paper money, more circulation than the country ever used on a specie basis, by far, it is fair to say that there is more afloat now than is necessary for every part of the country at this moment, and therefore the suggestion of such a method of relief as a remedy for existing evils in the South and elsewhere, is made in total ignorance of the cause of our disorders, and instead of making things better, would only make them worse.

CHAPTER V.

RESUMPTION OF SPECIE PAYMENT THE ONLY CURE OF OUR DISORDERS.—SCHEMES OF ALL SORTS.—SIMPLICITY OF THE TRUE METHOD.

Resumption will cure our financial disorders, and nothing else will. So long as our finances remain blocked as now,

moving in no direction, we are like a ship at sea in a calm, with the sails idly flapping against the mast. Everybody waits for a wind from some quarter. We are the dead dog on the river, carried down on the ebb and back on the flood-tide daily. And so we shall be till a fresh, healthy current sets in, and sweeps far to sea all the stagnant rubbish that now chokes the channels.

We have arrested contraction, and now we wait. Wait for what? Wait for revived trade, for renewed demand for labor, for fresh consumers, for new enterprises. Who is going to take the initiative in the hoped-for revival? Nobody. There is not one branch of business that can be entered upon in the present state of things, involving anything more than a hand-to-mouth operation, which must not encounter a risk of a change in the condition of money affairs sufficient to deter every solvent, prudent man from embarking therein. Nobody knows, nor can guess what is before us. So long as we were moving steadily, though it might be slowly, toward resumption, there was at least some encouragement to trade and enterprise, a feeling that we were approaching a solid foundation, from which national and individual prosperity would soon begin to rise again. We were submitting to a healing process, which, if a little painful, at least promised a cure. Now we have thrown away our splints and our remedies, and stopped even trying to get better. The quacks surround the patient. One set has a grand plan of pitching all the banks overboard and substituting greenbacks for their bills, and so save interest and taxation. Another advocates sending abroad and buying $250,000,000 in coin, and paying $350,000,000 in bonds therefor, to bring home and spread over the country like so much top-dressing to sprout our moss-grown fields of paper money. Another proposes to issue $200,000,000 more of paper money to give the necessary fillip to declining trade, and refill channels of circulation which Mr. McCulloch has so mercilessly drained dry. Yet another clamorous crowd insists upon issuing greenbacks enough to pay off the bondholders, and in this way honorably discharge our debt, Micawber like, to the last dollar. Another persistently favors an endless chain running through the Treasury, carrying paper fabrications in and out, operating a perpetual conversion of Treasury Bonds into greenbacks, and greenbacks into Treasury Bonds, at the desire of the holders, and

offers it as a panacea for all our ills. Then, again, it is proposed that the Finance Committees of Congress shall take charge of the whole business of emitting paper money, as they aim to do now, and decide when the country wants more and when it wants less, and so regulate the supply.

This is but the briefest outline sketch of the more approved schemes now on foot to restore our finances—not broached, be it remembered, by unauthoritative or unintelligent persons, but by Senators and Representatives in their seats—men who are assumed to represent the wisdom and not the folly of the nation.

Is not a glance at this recital enough to show that any course which, at one swing of the scythe, cuts down this whole crop of follies and crudities, and restores the natural condition of the country, and removes the whole subject from the vexatious criticisms and damaging action of Congress, must be meritorious?

Unlike these theory-mongers, we plead for no ingenious or untried scheme of finance, no wire-drawn system of outs and ins, of weights and balances, of exchangeability and convertibility, or patent method of paying debts and saving taxes; but, simply and plainly, urge that Congress shall *let the money question alone*, after repealing the exceptional legislation of the war, and remit the entire subject to the regulation of the natural laws of trade, where it belongs. Let us have, first, a repeal of the Legal Tender act—just as guarded and judicious in its form as you please; then remove your obstructive legislation, which now prevents the Treasury from paying its obligations when it has the means to do so; allow Mr. McCulloch to pay his debts when he can, and don't forbid him on the ground that he is ruining the country. Let Congress warn its paper-mills that they will be expected to do like honest people, and pay the debts they contract to pay at the time they contract to pay them. What an abominable imposition is it upon common sense to be told that the bank owners must not be asked to pay their debts, in other words, to redeem their notes, because it would thereby injure the public! And what a shocking fatuity is it that regards the National obligations in the same light! Does not every one see and know that for every dollar a debtor pays, whether he be Government or bank, the creditor must receive a dollar? Why then fear the operation?

Thus simple is the true plan for the restoration of our finances. Getting back to a solid bottom on which to plant our future prosperity, consists in nothing but the process of paying debts. Paying debts resumes specie payments, without any planning or scheming, or kite-flying of any sort. It is the home-spun solution of all our difficulties. And why shouldn't people pay their debts just as fast as they are able? Why shouldn't the banks be made to pay, and why shouldn't Government be allowed to pay its suspended current obligations, which encumber the channels of circulation to the exclusion of a sound currency; a currency which, if allowed, would speedily flow in to fill their place? The banks are rioting in their gains, having made money for years as banks never made money before. We have only to note the dividend notices in the public journals to know this. The Government can retire so many of its demand-notes as to raise the value of the residue to specie after a comparatively brief period. And with the demand obligations of these two great debtor interests (each powerful and full of resources), elevated to their legitimate exchangeable value, every theoretic scheme, every fanciful plan of the speculators, and inflaters, and gamblers, will disappear like the evanescent shapes of a dissolving view. Then the country will awake to a new solvency and a solid prosperity, under the stimulus of a flood of the precious metals which will be passed into the channels of circulation, to which it has long been a stranger, and to which it will be forever a stranger till that day comes.

CHAPTER VI.

ABILITY OF THE GOVERNMENT AND THE BANKS TO RESUME.

Can the great debtor-interest in this country, namely, the banks and Government, pay enough of their indebtedness to bring about resumption? It is the mass of superfluous unpaid obligations afloat that keeps us in a state of suspension. If the banks would redeem their bills, and the Government would pay its greenbacks when presented, this would be resumption. But

the banks need not redeem all their bills, nor the Government pay all its greenbacks to effect this object. It is only needed that these two great debtor-interests should pay off so many of these two classes of obligations as are not wanted in circulation. Resumption will not require them to pay any more.

Let us see if we cannot in some measure demonstrate to the more reasonable of our apprehensive friends that the country is able to retire its paper money so far as to resume specie payment without an undue strain on its resources.

That portion of the circulation issued by the Government has already been brought down by Mr. McCulloch within manageable compass, as we see by examining the following table.

On the 1st of January, 1868, the Government had in circulation, in round numbers:

Greenbacks	$356,000,000
Fractional Currency	31,000,000
Interest-bearing Legal Tenders	72,000,000
Total	$459,000,000

These items have been reduced since the close of the war from an aggregate of $709,000,000. This has been done without making money scarce, without advancing the rate of interest, without reducing the loans of the banks, and without lowering the price of coin, thus clearly indicating that the small proportionate reduction yet to be made in order to realize specie payments may be accomplished with comparative ease. And if the ideas of those who hold that our circulation is not redundant are correct, without any disturbance whatever. That, in fact, resumption from this point would result rather in an increase than a diminution of the circulating medium. A consideration by no means to be overlooked.

If we turn to the banks we shall find that on the 1st of January, 1868, they had bills in circulation—three hundred and three millions, in round numbers, showing the aggregate of paper circulation, which the Government and the banks have jointly to protect in the event of resumption to be as follows:

Bank Circulation	$303,000,000
Greenback Circulation	356,000,000
Fractional Circulation	31,000,000
Interest-bearing Legal Tenders	72,000,000
Total	$762,000,000

Now, let us look at the resources of the Government and the banks, which can be applied to the retirement of such portion of the foregoing aggregate as experience shall hereafter show is not required on the basis of resumption.

Let us first take the Government, as being the largest, and by far the most important debtor, and the one which, in fact, must shoulder the main portion of the load of resumption.

We begin by assuming that Mr. McCulloch must be allowed to pay the interest-bearing legal tenders ($72,000,000) either by money in hand, or by conversion into the permanent loan. This is what he is desirous of doing, and what he was doing, when Congress forbid the process. During the last ten months of 1867, he retired over $70,000,000 of these obligations without lowering the value of coin, and without reducing the bank loans a dollar, thus demonstrating the ease with which it was done. It is a fair presumption he can retire the balance with as little difficulty.

Taking for granted that the Government is not to be run for specie on its ten cent and twenty-five cent notes, and that their final redemption is to be a slow process, we set aside this branch of its obligations as requiring no especial protection. What the Government must provide for, and be prepared to redeem as fast as presented, is its $356,000,000 of greenbacks; and when it demonstrates to all the world its ability to do this, resumption will have become an accomplished fact.

At this point, it seems to become necessary to enter upon the much mooted point of how much circulation the business of the country now requires, in order to decide how much the Government would be likely to have to redeem of this existing stock of $356,000,000 notes now outstanding. But we do not propose to enter upon this debatable ground. We only aim to show that whether the sum be more or less, the Government can maintain, without difficulty, an impregnable front against both the natural and unnatural demand of trade and speculation.

Of this $356,000,000, near one-third of it (say $100,000,000) is held by the banks as a reserve for the redemption of their own notes. This reserve, we may conclude, would only gradually disappear in the event of resumption, and would be long in declining to $50,000,000.

At least another $100,000,000, we think none can doubt,

would be immovably fixed in business channels, for a long period to come. This would reduce the really mobile mass of greenbacks to $200,000,000, more or less, which if represented by available resources in the Treasury to that amount, could not fail to give the Government the control of the situation.

The Government would then be enabled to declare its readiness to resume specie payments the moment it had funded its remaining interest-bearing legal tenders, and converted its 7-30's into the permanent loan, now so nearly accomplished.

This, we may easily perceive, is to impose a comparatively light task on the Government. It has only to increase its reserves to $200,000,000, and fund the remaining $70,000,000 interest-bearing legal tenders. Of this $200,000,000, it has long held in its vaults about $100,000,000 of coin, saying nothing of its currency balance, of which we will make no account.

This is but a trivial sum, surely, for the Government to raise for this all-important object. It shows how near we are to the point of issue from all our difficulties, if we would but seize the advantages the situation affords. This $100,000,000 which our circumstances require—and, if the views of many others are correct, much more than we shall need—can be most easily obtained by establishing a foreign credit to that amount, a foreign balance being just as effectual for resumption as an importation of coin, and, having, besides, this great advantage over an importation of specie, that just so much of it can be used as is wanted, and no more. We thus incur no unnecessary cost, and introduce no new disturbing element in our finances.

The ability of the Government then to resume would appear to admit of no doubt whatever. The precise period when it may exercise that ability depends on itself. To get ready, it has only to fund its 7-30's and retire its interest-bearing legal tenders. This may be done in a short or long period, just according to its own option. But while its regular 5-20 loan is worth from 5 to 10 per cent. above par, there is no room for questioning the fact that it can, at pleasure, exchange demand notes, or greenbacks, into that loan, to whatever extent it chooses, and whenever it chooses.

Now, let us turn to the banks, and see what is in their power to follow the Government.

They have a circulation of \$300,000,000 in round numbers. They hold \$100,000,000 active legal tender, \$50,000,000 of interest-bearing legal tenders, and \$10,000,000 of specie. Assuming they can carry \$200,000,000 of circulation on a basis of \$40,000,000 or \$50,000,000 of coin, or its equivalent, which they did before the war, they would not find it necessary even to strengthen their existing reserve to protect their present circulation.

But suppose our presumptions too liberal, and that the joint paper circulation of the banks and the Government could not be maintained, each with an excess over its reserve of \$150,000,000, as we have calculated, what are the resources of each for a still further reduction? The Government still has its power of funding, which it may exercise almost at its pleasure. But how with the banks? Can they hereafter strengthen themselves to the necessary degree without such a contraction of their loans as to bring distress and bankruptcy to their debtors? It is at this point that we come to a most encouraging view of the financial situation. An abstract of the last annual returns of the banks (January, 1868) shows the following results: Capital, \$420,000,000; loans, \$1,055,000,000. Four-tenths of this aggregate were, however, in Government securities, and but six-tenths loaned to individuals. Thus: Loans to individuals, \$635,000,000; U. S. securities, \$420,000,000. Total, \$1,055,000,000.

These figures disclose the important fact that, if the banks find it necessary to curtail their loans in order to resume, they need not make the curtailment from the mercantile community. They can realize from their Government securities. These are, in effect, cash funds, on which they can raise money from private capitalists, and which they can remit for sale, or to obtain a credit abroad. This is a resource which our banks have never, on any previous occasion of pressure, enjoyed, and it is a circumstance which modifies the situation entirely. The fact may very properly relieve any apprehension that the individual interests of bank-debtors must be sacrificed to resumption. It also does away with the old idea that the ability of our banks to resume, after a protracted suspension, depends on full crops, and a foreign demand therefor. This was formerly true, when we produced nothing but provisions and cotton that could be remitted to liquidate balances, and secure a return of specie. But now, we are pro-

ducers of coin, and the fabricants of a mass of national obligations, which command coin in all the European markets. The combined strength of these two resources supersedes the necessity which formerly oppressed us, and is ample for our emergencies.

If it be objected that all plans of resumption involve further contraction of the paper circulation, we reply that this objection loses its force, in view of the following considerations: In the first place, resumption will be followed by the instant liberation of all the hoarded coin in the country, which the Controller of the Treasury estimates at over $300,000,000, and which will immediately seek the channels of circulation. Secondly, with resumption, will come the removal of the restriction upon our banking system, which limits the banks to a circulation of $300,000,000. When the banks agree to redeem their notes in coin, there will be no objection to their indefinite multiplication under our existing system.

It will be observed that the programme here put forth only pre-supposes a preliminary redemption of $70,000,000 of the existing $760,000,000 of bank and legal tender-issues in order to reach resumption. We think the figures given will satisfy any one who examines the subject that we do not miscalculate the result. If the banks, as yet, have not been obliged to curtail their accommodations to their customers, but, on the contrary, have been able to increase their loans while we have been approaching resumption, where is the foundation of the apprehension that we shall cut off the ordinary resources of business men by this process? Look at the facts. The bank loans to individuals were, in April, 1866, $545,000,000; in October, 1867, $630,000,000; in January, 1868, $635,000,000. During the whole of Mr. McCulloch's operations, we think so unjustly aspersed, the resources of the borrowing community have not only been curtailed, but they have been enlarged. The banks are to-day loaning more than ever before, and the rate of interest is below the average.

Let us recapitulate this exposition in figures:

The Bank circulation is	$300,000,000
Greenbacks	356,000,000
Fractional	31,000,000
Interest-bearing Legal Tenders	72,000,000
Total	$759,000,000

The resources for redemption of this sum of $759,000,000, now in hand, are as follows:

The Government holds—		
In Specie	$100,000,000	
In Currency	30,000,000—	$130,000,000
The Banks hold—		
In Specie	$18,000,000	
Currency	16,000,000	
Legal Tenders	180,000,000—	$214,000,000
Total		$344,000,000

Suppose, now, the Government opens a foreign credit of $100,000,000, and is allowed to fund its $72,000,000 of interest-bearing legal tenders? We should then reduce the foregoing paper issues to $677,000,000, and it would raise the reserve to $444,000,000.

Can anybody, even the most cautious, doubt the strength of this position, or doubt the ability of the Government to assume it, and to give the country resumption, and with it stability and the basis of a solid prosperity, by the month of January, 1869?

The banks and the country have been girding up their strength, and consolidating their resources for more than a year, in view of Mr. McCulloch's policy of resumption. We show that the position of both the Government and the banks at this moment is strong, and that they have the means to move directly forward to this consummation. To falter at this point is to throw away all we have gained, and launch the country on a more uncertain future than ever, again to struggle, and to suffer in renewed efforts to restore its lost prosperity.

CHAPTER VII.

THE NEW FUNDING BILL OF MR. SHERMAN.—ITS REFUNDATORY FEATURES CONDEMNED.

The objections to Mr. Sherman's New Funding Bill are radical; and they blow upon it from exactly opposite points of the compass. They come on one side from those who would not have even a breath of suspicion stain the national credit, and on

the other from those who will be contented with no bill that does not meet the demand for municipal taxation upon the bonds.

The bill, as it stands, nominally proposes that the holders of the 5-20s shall exchange them, at their option, for the new 10-40 five per cents., dollar for dollar. But it does not say what is understood by the advocates of the measure. That is, if the holders of the 5-20 bonds decline the exchange, they are to be paid off in greenbacks. Without this meaning attaches, the bill really has no significance whatever. For what is the use of enacting that the holders of 5-20 six per cent. bonds, worth in the market 110 to 112, may, "at their option," exchange them for 10-40 five per cent. bonds, worth 102 to 104. Of course, the holders will do no such thing voluntarily. The plan of the funding scheme, therefore, is to threaten the bondholder with pay in greenbacks, gently in terms, but none the less really in fact, in order to induce them "at their option," to exchange their 6 per cents. for 5 per cents. Now, to this suggestion of partial repudiation, those who entertain a just sense of financial integrity will not hearken for a moment: and there are such even in Congress. They are fortified by yet another class, who are wise enough to know that honesty is the best policy, who believe that the cheapest and easiest way to carry our debt, is to raise no question about paying either principal or interest, but to go right on in the straight, narrow path, and discharge every obligation, actual and implied, according to the highest tests of mercantile honor. Those who entertain these views will oppose Mr. Sherman's bill, and every other bill which looks to varying one iota from the spirit of the contract under which the bonds were issued.

But we are constrained to confess that the greatest strength of opposition which Mr. Sherman's bill is likely to encounter, will be from the class which it is framed to conciliate. It will be most strongly resisted by those who hold that, instead of its repudiating too much, it repudiates too little. The great crowd want to get at the bonds to tax them, as all other property is taxed in this country—2, 3, or 4 per cent. Others desire to force the interest down to 3½ or 4 per cent., and yet others are anxious to pay them off in a fresh issue of paper money.

In undertaking to navigate his bill past these variously be-

setting obstructions, Mr. Sherman has a task which will try all his skill, his patience, and his good nature. And we do not see how he is to succeed. And if he succeeds we cannot see that he settles the great agitating and disturbing element upon which the national bonds are to be more and more, every year, tossed about; and this is the question of municipal taxation. Let Mr. Sherman pass his bill, and establish the rate of Government interest at 5 per cent., and the same jealousy, the same hostility toward untaxed bondholders, will still exist in every city and village of the country. And it is an uneasiness which will not be cured while the loan endures.

What good sense demands is, that all the questions arising out of this whole business should be finally settled. We want a policy which shall meet this demand. We hold that the existing situation of the national loan is just as good as it need be for this purpose. The 5-20s are rapidly maturing. What we have need to do is to pay them off just as fast as we can negotiate new loans, subject to the same taxation as all other personal property. But in order to do this to the best advantage as to rate, and to dispose of every question in regard to what our bonds ought to be paid in, as well as all others, we must first resume specie payments. Our way then will be perfectly clear. All our tricks and contrivances will avail us nothing in escaping from the demand which this one great over-shadowing necessity imposes. It is plain sailing toward this end. The sea may be rough and the winds strong, but the waters are deep and broad, and, once round the Cape, we shall anchor and rest securely in our great financial Pacific. Everything short of this is but a makeshift to avoid the inevitable. It is running from one shallow to ground on another; it is to dodge from one obstacle to be confronted by a series in endless succession. It is said there is no royal road to learning; there is certainly none to paying debts. It is an earnest, serious, self-denying task; and it is a task which every man, even short as human life is, finds his account in cheerfully embracing when the necessity is upon him. How much more important than a nation—whose hold on existence is through the ages, whose financial honor is a necessity of its growth and power; nay, whose very existence may in some unexpected emergency depend upon it—should preserve that honor unspotted

and untarnished! Let the nation, then, rise to a full conception of the demand now made upon its financial integrity, its as yet unstained honor, and declare that it will make the small sacrifice requisite to restore its credit and position to a level with the other great nations of the world. Let us not stand dawdling over this miserable business of shaving our own notes, and striving to skin the holders by exciting their distrust and apprehension. It is a mean business, a dirty business, unworthy the spokesmen of a great nation, and it will be destitute of reward, for it will be a losing business.

CHAPTER VIII.

GREENBACKS VERSUS BANK NOTES.—THE PLAN OF SUBSTITUTION WILL NOT WORK.—REASONS WHY.

The practical sense of commercial and financial circles all over the world, through many centuries, has decided that banks are essential to the public convenience, and are even a public necessity. But banks must be invested with the power of issuing their own notes, in order to keep them in profitable operation. It is not likely that this long established conviction is going to suddenly give place to anybody's crude or ingenious theory of a better plan to secure similar results. And thus the long threatened scheme of substituting greenbacks for the existing bank note circulation which still agitates Congress, and was the theme of an elaborate argument of Gen. Butler at the opening of the session, must fall to the ground.

The scheme is broached as though it would be about as easy to overset 1,600 banks doing business all over the country, with their endless and intricate business ramifications, as it would to slide so many bricks out of the tail of a cart. A pure bullionist, if such is to be found, need not object to such a policy if it were capable of accomplishment (except for its folly) with the system of mutual exchangeability established as proposed, to wit: the greenback to be always redeemable at the Treasury in coin-bearing bonds, and, *vice versa*, the greenback always obtain-

able for the same bonds. It is the pleasing conception of the advocates of the plan that this exchangeability feature would always relieve the circulation of any plethora which might at any time exist; and, what is of even greater consequence, would always secure the country against the scarcity of the circulating medium. The first part of the conception might be realized. It would be in the natural course of things to run home a redundant circulation, and receive specie-earning bonds in lieu of it. But the redundancy having disappeared by this process, and the currency, it might be, made scarce in this way, it could never be rendered what would be called plentiful again, by a process which looks entirely to the exchange of invested capital, like that of Government Securities, drawing six per cent. interest, or even five per cent. in specie, for money. For this reason: the moment the value of our consolidated debt rose to par, in coin, which would be very soon after our credit is fully reëstablished, our circulation would be on a specie basis; and when our bonds became thus valuable, there would be no more object in exchanging them for greenbacks than for coin. The circulation would conform itself to that state of things, and so become as inflexible as a coin circulation itself. When the rate of interest fell below the rate borne by the bonds, as it sometimes would, we should then experience even a worse state of things than though we had a specie circulation only. For the greenbacks would be returned to the Treasury till they became scarcer than coin. The upshot would be that we should thus find ourselves supporting an artifical paper currency bearing a premium in specie. Of course it would then, during this period of appreciation, no longer be used as a circulating medium, and hard money would take its place. Is it worth while to institute a paper money machinery that would produce so absurd a result as this? But thus it is, and necessarily must be, with all schemes to support the uniform standard of value established throughout the commercial world, with a view to found a better system. We may invent, and devise, and try to circumvent the natural laws on this subject to the end of time, and we shall end just where we began. There can be but one universal standard of value, and the attempt to substitute anything else for it will inevitably fail; legislate how you will, contrive how you will, this standard thrusts itself among all your

contrivances, in season and out of season; and, whether you will or no, regulates and measures every commercial and financial transaction. In spite of every effort, in defiance of every law to prevent it, there will be for every commodity of trade, and to every financial engagement, an actual, positive, and irresistible specie value. Pile legislative enactments mountain high, saying there shall not be, and it will be all the same.

We wish to make one other observation on this Congressional project to dispense with the banks and substitute the notes of the Government for bank bills.

The men who want to borrow money are never the men who have their pockets filled with United States bonds. The money-borrowers are the merchants, the manufacturers, the producers, whose capital is invested in their business. The only securities which they have to offer are their own notes, the notes of their debtors, their domestic or foreign exchange. These may be all of the very first class, such as any bank or banker would be glad to get; but they would be no better than so much waste paper when offered to the Treasury. Even a rich man's notes might go to protest every day in the year, if he had no resource but the Treasury, operating on the basis of this exchangeability feature.

It is strange that these ingenious theorists overlook such palpable considerations as these.

What trade and commerce need are agencies which will take the notes of men of business, and give money for them. That is the commodity they have to offer in exchange for money: they have nothing else. How idle to say to them, bring along Government bonds and we will furnish you all the money you require. The merchant might just as well be asked to furnish bullion or gold coin as security for the money he wants to borrow. The security demanded is what he does not deal in. The requirement is equivalent to insisting that a man shall be a capitalist before he becomes a merchant.

With the banks demolished, the money-borrower would find himself without any more ability to borrow than if we had only a currency of gold and silver. The greenback, under any system of redemption, would become just as unelastic as coin.

It is the one great and useful function of the bank, that it plants itself in every little mart of trade, and offers its money to

everybody who has a good note or draft to sell. And as these notes and drafts are daily maturing, it can every day take new ones. In this way the money-circulation of the country furnished by the banks is elastic and flexible, and responds exactly to the wants of business when it is in a natural and healthy state. The Treasury note can never act as a substitute for the bank-bill, in ordinary times, unless the Treasury turns banker, and sells its greenbacks for the same kind of securities that the bank takes for its bank notes. Nobody will pretend that this would be either wise or proper, or profitable. And thus we see how inadequate for the needs of a great trading community is the proposed machinery of a greenback circulation, as a substitute for that of the banks, with its ever-varying quantity and perpetually-renewed supply, through the natural operation of daily business transactions.

CHAPTER IX.

PRESENT DEPRESSION IN TRADE NOT TO BE CURED BY LEGISLATION. —SELF-LIMITED CHARACTER OF ALL LEGISLATIVE PANACEAS.

We have already expressed the sentiment that the existing depression in trading and industrial circles has little or nothing to do with the state of the circulating medium. There is more of it afloat than is usual in ordinary times by a great deal, the aggregate being over $750,000,000. There is money enough to be had on good security in all the great centers, and whatever may be alleged to the contrary, it is substantially true that when money is plenty at the centers it is plenty at the extremities on all adequate securities. Six per cent. Government obligations are everywhere 10 per cent. above par. And where money cannot be had it is because the security is unsatisfactory.

The present depressed state of trade and industry requires something very different from an increase of paper money, or, indeed, any acts of legislation, to relieve it.

Of course, so far as legislation has imposed burdens on trade

and industry by taxation, legislation is able to relieve them by taking it off. So, too, in certain national conditions, legislation can revive and stimulate industry, and give a great fillip to trade and enterprise. But these conditions are exceptional and cannot be created at will. They are evolved slowly, only by time and circumstance. This is a consideration quite too generally overlooked. The idea that because legislation can sometimes take the initiative in promoting industrial prosperity, it can always do so, is a grave error. Legislation is not a constant force which can always be used in this direction. It has its times and seasons when it can act efficiently. But this power is limited to peculiar and exceptional emergencies and conditions. It may be said to be a regulator and stimulant, rather than a constant motive power. It exhausts itself, too, by its own action. This law of limitation should never be overlooked when legislative action is suggested as a relief to a depressed or exhausted condition. A nation may enact a high protective tariff at an opportune period. This act may diffuse sudden and great prosperity. Such an experience has occurred more than once in our own history. But this very stimulus may temporarily lead to over action. Dullness of trade, stagnation of business, depression of prices, low wages, and deficient employment may ensue. All these may be the contingent, incidental, temporary evils of a mainly beneficent act of legislation. But they are not to be cured by more legislation of the same sort. Their cure must be left to other agencies —to time, to rest from undue exertion, to the gradual absorption by consumption of surplus goods which a too ardent competition has produced. In a word, the trade and industry of nations must in the main rectify their unnatural oscillations through the influence of natural causes. They are for the most part beyond the reach of legislative panaceas. Especially is this the case when legislation itself has caused or aggravated those excesses. When production, from the encouragement of the State, has become plethoric in any department, the only possible relief must come from consumption. Government may wisely adjust its measures so as to create and maintain a just and useful equilibrium between the two classes of producers and consumers, but the inevitable disorders which arise from the varied complications which belong to the production and consumption of a

diversified industry, and which inhere in these relations, are not just subjects of legislative interference, for such action would be fruitless.

Trade and business in all active communities have their ebbs and flows like the tide. After rising unusually high, they recede unusually low. There is no form of legislation that is competent to deal with these excesses. They are quite outside of its domain; beyond the reach of its influence. The great and common mistake of people is the belief that they are capable of rectification by legislative action. People will believe that when a nation's affairs are out of joint, its legislators should be competent to set them right. But the industrial body, like the natural body, is afflicted by disorders which are known to the doctors as "self-limited," and which are best cured by letting them alone. They afflict while they last, but they defy the skill of the physician, who merely watches while they exhaust themselves.

Now, let it be borne in mind, that never in the whole past history of this nation has its trade, its industry, its finances, been in such an artificial condition as now. They have become so in consequence of a great and destructive war, and the legislation resulting therefrom. We will assume that that legislation was necessary. But if good came of it in the first instance, evil has followed. The circumstances which demanded, or, at least, excused this legislation, no longer exist.

Now we are confronted with the question whether or no we are in that peculiar and exceptional condition, brought about by time and circumstance, which can be improved by legislative action? Or whether we are not, on the contrary, in a state where legislation has exhausted itself; and where our remedy is to be found only in the operation of natural causes; through the lapse of time, of patient industry, of economy, and the self-adjustment of the relations of production and consumption so long disturbed by the violent agitations of war.

We entertain no doubt on the subject. We hold that it is plain to be seen of all men that our present unnatural condition is the result of exceptional events, aggravated by legislative action. Legislation overthrew our long-established standard of value by creating a paper legal tender. Legislation filled the

country with irredeemable paper money. These two stimulants have done their work. They have done all of good that could be done in this direction. We must now escape from the existing evils which have followed by undoing rather than by doing. War demanded agencies which peace does not require. The Government needed helps then which it does not need now. Its efforts should thus consist in dispensing with the machinery then set in motion. They are, first, the legal tender act, and, second, the irredeemable paper money. Just to that extent it can dispense with these agencies; just to that extent it is in duty bound to dispense with them. And in this matter it should consult its own power and its own convenience. It created them for its own benefit; it is its clear right to abolish them when it requires them no longer. And we may add, the trading and producing classes have no right to demand the prolonged use of these means for their profit and convenience; especially when the demand is made, as we have heretofore shown, at the expense of the consumer and of the labor of the country, even if their use could be continued without danger.

It is thus we come to the conclusion that the condition of the country cannot be improved by further artifices of legislation. We hold them to be exhausted for good in that particular respect wherein we need relief. We must now fall back on the recuperative powers of the nation—on the solid wealth, on the industry, on the enterprise and resolution of the country. These are sufficient for our wants. Notwithstanding all the complaints that are heard, our actual industrial condition is better than that of any other nation. A large proportion of our business interests are sound and strong. The great leading articles of agricultural production, which represent such vast interests, bear high prices. The avenues of transportation, our canals and railroads, another immense interest, are all most profitably engaged. Many branches of manufacture are still employed at remunerative rates. Others are reviving from their depression. And if some branches are, or have been losing, it must be remembered they are the particular ones which made so much money during the war—the obvious cause of their present situation being a natural, and we may even say healthy, reaction from a former state of unnatural activity and profit. It is the recession, merely, of an

unusually high tide in their affairs. It is in the natural order that trade is sometimes dull, money sometimes scarce, production sometimes unremunerative, labor sometimes partially employed and poorly paid. It is so now all over the world. It will be so at intervals while civilization endures. There are seasons of health, and of disease and suffering; seasons of rest, as seasons of activity. This is the law of the commercial world. It is the law of all nature as well. We can no more cure this condition by legislation than we can turn day into night, or control sunshine and storm by legislation.

It is in the light of these considerations that we must labor to restore the losses of the war, and to reform our condition, and to cure the disorders and depressions which affect the general prosperity, and mark the present transitional period.

CHAPTER X.

VIEWS OF A MEMBER OF THE FINANCE COMMITTEE OF THE SENATE FROM MISSOURI.—RIGHTS OF THE PUBLIC CREDITOR.—MR. HENDERSON A SYMPTON OF THE NATIONAL CONDITION.—THE FUTURE OF OUR NATIONAL SECURITIES.

It would be a hopeless task to undertake to confute the numberless empirical schemes of members of Congress on the question of finance. But the views of the several members of the two committees of the Senate and House who have charge of such subjects, when elaborately set forth, seem to exact notice.

Mr. Henderson, of Missouri, a member of the Finance Committee of the Senate, lately expounded himself at length. Whatever claims the Senator may have to many excellent qualities—claims we shall not question—great gifts as a financier we cannot concede to him. In the first place, his fundamental conceptions of the nature of the pecuniary obligations of a government, as explained by himself in the following extract from his recent speech, show him to be a man in whom a high sense of financial and mercantile honor is totally wanting. He

substantially declares that a promise to pay means nothing at all. Hear him:

"Is it not more reasonable to infer that the public creditor, purchasing a Government bond, takes it subject to the exercise by Congress of all its constitutional powers? It is surely legitimate for Congress, after it contracts a debt, to coin money and put it in circulation. It is equally clear that Congress may regulate, and therefore, change its value. The coinage of gold may be double or quadruple in amount, or the use of gold as a medium of exchange *may be abandoned altogether and something else adopted.* * * * When no specific agreement is made, I insist that both debtor and creditor are supposed to contract subject to all the contingencies of future legislation. That legislation may be such as to make the debt more or less valuable at the time of its payment. This fact is understood by both parties when the contract is made, and enters into and forms a part of it."

We contend that a man who can talk in this way in regard to the character and value of the deliberate engagements of a great government, or a small, is utterly disqualified from sitting in judgment upon the morality or honesty of financial transactions. There is not a heresy or a dishonesty that ever was advocated or practiced upon a public creditor that is not supported in the doctrines of this extraordinary extract. It is an open and unlimited claim to the right to cheat the public creditor out of his whole debt, if the debtor chooses to do it. More than that, the preposterous idea is here expressed that the lender understands it, is one of the conditions of a public loan that the borrower is at liberty thus to cheat him. The Government may clip its coin, may debase its currency, may make an unlimited issue of irredeemable paper and declare it legal tender, and pay off its debts therein. Mr. Henderson substantially asserts, in the above quotation, that all this is understood by all parties in every public loan.

He might with equal reason deny the sanity of mankind, and assume that capitalists are so eager to get rid of their property as to seek opportunities to commit it to the flames. He does, in fact, assume that every man who has money to lend dotes on repudiation; that he longs for an opportunity to find a borrower, who is so situated that he is at liberty to deny payment of what he borrows.

If Mr. Henderson's doctrine be correct, such are the views of every man who buys a Government bond. He simply loves to be ruined. Unless this is the case of the money-lender, why on earth should he consent to fling his hard-earned dollars into the

lap of a Government which is at liberty any time to turn round and say it won't pay at all, or will only pay in worthless promises? But, as an actual fact, are not all money-lenders tempted on all sides with the best of securities, and their private indebtedness additionally secured by the most unbending legal enactments? Why, on earth, then, should a lender accept the obligations of a borrower who is at liberty to convert them into smoke, when he can obtain securities as incombustible as bricks and mortar, or roads of iron?

Mr. Henderson may possibly reply, that what he said was intended to be qualified by the remark that a "specific agreement" might, or could, change the conditions of a loan. Such a reply does not help him. In the first place, the first part of his statement is wholly unqualified. But let that pass. We assert, the proposition that every Government loan *is* a "specific agreement" to pay a certain number of "dollars," which dollar is a defined thing, precedent to the contracts, and that what the "dollar" is when the loan is made is the dollar that must be paid. We deny entirely that there is any understood right, reservation, privilege, or understanding, of any kind or description, expressed or implied, under which Government may change or vary its terms, or even the understanding on which the holders took it, to the amount of one hair's breadth. If Government even stands by silently, and sees its loans disposed of by agents on terms, and with representations which it knows to be unfounded, and does not intend to fulfil, it is morally guilty of obtaining money under false pretenses, and of intentional fraud upon the purchaser. But it is more especially and unqualifiedly guilty, if it presumes upon its sovereignty or its legislative power to deprive its creditor of one iota of the exact sum it borrowed, or of any infinitessimal fraction of the rate of interest it agreed to pay, until the loan is wholly re-imbursed. Government has not, in morals, or according to the most ordinary tests of mercantile integrity, the shadow of a right to abridge, in the least degree, the sum which the public creditor, in becoming a party to a national loan, contracted to receive.

A man who does not see all this with an eye of fire, has no claim to discuss the nature or treatment of pecuniary obligations, whether of an individual or of a Government. Between a solvent

debtor and his creditor there is no middle ground. The contract settles everything. There is nothing to be left to compromise. Nothing can be pleaded in behalf of a debtor but actual inability. Inconvenience or loss is nothing. Where the ability exists the pay must come. Solvency, character, mercantile honor, financial integrity, knows no other law. This Government must pay or swindle, or acknowledge itself bankrupt. It has got to take one of these three attitudes before the world. It cannot escape. The inexorable pen of history, the fixed judgment of mankind, await its action. But while, as we have said, Government has no *right* to clip its coin, to debase its coinage, to adulterate its paper circulating-medium, it, nevertheless, has the *power* to do it. If it chooses to play the villain, it may cheat its creditors, it may swindle its bondholders, it may repudiate its contracts, but, in so doing, it incurs the villain's reputation and his fate. It may say it will pay three-quarters, half, one-quarter, or nothing, of all it owes; but the simple fact that it is to-day discussing, in Congress and out, which it will do, is a costly discredit, and a ruining reproach to the nation. To debate the question of national honesty is the most expensive luxury in which Congress can indulge. But our circumstances and our habits, perhaps, render it unavoidable, and we must suffer the consequences of our indulgence.

The practical issue of all this is the main thing which interests everybody. But who shall forecast it? In our financial morals we are in the gristle.

We are not yet hardened up into any fixed shape. There are cores and centers of soundness, but huge fringes and suburbs, and some deep caverns of rottenness. Who knows how we are coming out? Who knows whether we shall ripen into a comely and high-toned manhood, worthy the great military reputation the nation has achieved? While the credit of Massachusetts glitters like a diamond (alas! that she stands alone), great, rich Pennsylvania once deliberately damned herself by repudiation, and, like the fabled inhabitants of hell, encountered by Swedenborg, forgets or does not know it to-day.

Our future thus defies prognostication. The keenest pecuniary scent is at fault. All that we know certain is that gold is at 140, and tends upward, and that our six per cent. coin-bearing

bonds are sold in Europe at 75 cents on the dollar, with money plentiful there at three and four per cent. These features of the market indicate a distrust and apprehension of our future on both sides of the Atlantic. Judging from the specimens of financial views we have been commenting on, and those we have seen expressed, from time to time, by other representatives of that Great Valley which claims empire over these States, we should say that that distrust and apprehension were not ill-founded.

We regard Mr. Henderson rather in the light of a symptom of the national condition. Nevertheless, he is the spokesman of multitudes, even more financially oozy than himself. He is a sort of barometer of geographical opinions. His is the prairie standard of national credit, probably in its highest form. The national standard must range somewhere between his, or a yet lower level, and the standard of perfect justice. Such, at least, is a fair inference. As we come East from the Great Valley toward the Alleghanies, we reach Ohio, and here we have a yet milder symptom of national unsoundness in Mr. Sherman. The standard has risen. We pass on, and reach the great commercial cities of the seaboard, and here we find an elevated financial morality. The standard rises to its highest point. We conclude the national credit is to be graded according to this recognition of elevations—this moral survey of the heights and depths of the national perceptions of honesty. As we have said, the Wall-street view and the European view of the situation gives a net elevation of 75—100 being the standard of absolute integrity. We accept it as a fair average. Should the Republicans prevail in the coming Presidential election, the figure is too low—we hope much too low. Should the Rebels and their Northern allies succeed, the figure is too high. Indeed, in that event, the situation would be vibratory and panicky in the extreme, and we might look for a repetition of the fluctuations and losses, the deep shadows and dismal prognostications of the war. The Rebels, who would be brought into power by such an anomalous and untoward event, we may be sure, would cheapen the debt, damage the credit, and enlarge the obligations of the nation to a formidable and, perhaps, ruinous extent.

CHAPTER XI.

CURSE OF A DEPRECIATED CURRENCY.—HOW IT OPERATES TO ROB ALL CLASSES.—POLITICAL AND SOCIAL DANGERS OF INFLATION.

There are some popular ideas afloat, favoring the policy of a depreciated currency, which are injuriously fallacious, and need exposure. One is that taxes are more easily paid under such a system. Another is that the producer gets higher prices, and so makes more money. Let us look for a moment at these points.

Taxes are paid from two sources; the earnings of labor and the earnings of capital. We have hitherto given the reasons why labor is not so well paid under a system of paper money as in a currency of coin. We have shown that wages do not keep pace with the enhancement of the cost of living, and that the interests of labor are not therefore favored by a system of paper money, but are seriously injured thereby. We have seen that its earnings are less and its expenditures more; that the imposition of taxes thus weighs heaviest upon the laboring class, at those periods when the currency is inflated, they having at such times more to pay and less to pay with.

How it is with capital, which represents the savings of industry and the accumulations of good fortune, there is no room for doubt. There is no pretense anywhere that the property holder, who has earned or inherited wealth, and lives on its income, does not suffer from inflation. He pays more for the cost of living, more for taxes, while his income remains the same. It is so with all who live by salaries. Great injustice is done to, and great suffering is often experienced by, these two classes, from a depreciation of the currency. They reap no advantage from, but are merely innocent victims of, the inflation policy. Their voice of complaint is seldom heard, for, though numerous in the aggregate, they belong naturally and by position to the quiet classes of the community. They suffer greatly, but they, for the most part, suffer in silence. The rush of enterprise in this country does not sympathize with them.

How is it with small capitalists of a different class? Take the great producing, agricultural interests of the West. These

numerous Western farmers of moderate means are supposed, of all others, to be benefitted by a redundant paper circulation. It increases the prices of their corn, their wheat, their cattle, their hogs, and their surplus generally. But, if the farmer gets more for that portion of his crop that he sells, he pays more for everything he buys. He pays more for his groceries, his clothing, his iron, his leather, his tools, and his labor. So that his gains, at best, are at last only on the final balance saved after the year's accounts are settled. That surplus, be it more or less, is in paper money, which he must reduce one-third or one-half in amount, as the case may be, to get it into solid money. And in this way it comes to the same thing, or more often to a worse thing in the end, than if his dealings had all been in real instead of fictitious money.

But his paper dollar will pay taxes as well as the gold dollar. So it will. But the tax is enough, and more than enough, greater to offset the advantage. Taxes are imposed to defray expenses, and expenses are increased in proportion to inflation always, and generally in a greater degree; for public charges of all kinds, prices of all kinds, are not only calculated upon the relative value of the paper issues to coin at the moment, but upon the contingences of fluctuation which becomes an important element in fixing values. The tax-payer in the end foots all these charges. He first pays the actual money cost, then he pays the difference between that and the sum it represents in paper money, and then he pays for the risk involved of a further inflation, and of speculative values incident thereto. But even this is not all. Whenever people are spending money (and it is especially so with public expenditures) in a debased circulating medium, there is never that care or economy as when they are spending hard money. Silver and gold are never squandered as are paper promises to pay, which are irredeemable, and are constantly fluctuating in value. And thus expenditures, especially public, increase just in proportion to the debasement of the currency in which they are defrayed, and not relatively only, but actually as measured by the specie standard; and thus are taxes multiplied and increased. It is only by following out these details of the subject that we are able to appreciate how it is that a depreciated currency is a robber of the earnings of labor, whether

capitalized or otherwise, at every step and in every relation. But patient reflection shows that, view the subject in what light you will, a debased circulating medium is of itself, aside from the moral debauchery engendered by its example, a serious and ever-acting mischief, damaging to the interests of the great body of the people in every walk and pursuit of life.

But there are those who reap great profit from an inflated currency. These are the large capitalists and operators, the speculators, the middlemen; the gamblers of the Exchange, in stocks, in gold, in all the necessaries of life. They are the vulture who prey on an innocent public. They buy up and hoard every commodity of trade in order to advance prices. The greater the supply of paper money the greater their ability to do so. There is no machinery so effectual as this to rob the earnings of labor. The banker is allowed to issue his promises to pay, which he never redeems; or if he redeems them, it is in other promises no more valuable than his own. Thus he is seldom called upon even to take the trouble to make the exchange. He receives at the rate of 15, 20, and 25 per cent. per annum from his "operating" borrower, for the use of his capital, and through him it is extorted in the last analysis, as we have heretofore shown, from the earnings of labor and the helpless consumer. So, too, the middleman, one of the worst of the parasites of the commercial world. He stands wherever he can, resolutely between the producer and consumer, and lives by robbing both. Producing nothing, earning nothing, he simply sucks the blood of those who earn and those who consume. He flourishes most where a depreciated currency causes an artificial rise in prices and fluctuation in values. He was hatched in swarms by the war, and, in diminished numbers, still afflicts the community. All his efforts are aided by a debauched currency. He pleads the recollection of past extortion with the exhausted buyer, and deludes the inexperienced seller with representations of a contracting currency and falling prices, cheating both in turn.

And thus, pursue the subject how we will, it turns out that inflation is only another term for the robbing of honest industry, and that its palpable and certain effects are to make the rich richer, and the poor poorer.

A natural state of things has no such features, or, if it has,

they are only exceptional and occasional. It is the violent fluctuations, which are the necessary consequences of an inflated currency, that causes the mischief. Without these, trade is comparatively steady, and prices comparatively regular. Where it is otherwise, it results from natural causes over which no control can be exercised—such as bad seasons and deficient supplies, or, on the other hand, overproduction and glutted markets. In such a state of regular trade, the numerous intermediates that infest markets during the periods of inflation, cannot thrive. All healthy traffic consists in bringing the producer and consumer into immediate contact. But where prices vary and rise as they do when an over-abundant currency exists to stimulate speculation, it often happens that half a dozen intermediates stand between the producer and consumer, each one exacting his profit —often an inordinate and extortionate profit. And thus the innocent consumer becomes mercilessly fleeced. The experience of the War has illustrated and over illustrated this fact, till there is none left to doubt it. The knowledge already takes form and begins to enforce itself in practical remedies. The tribe of middlemen have carried their exactions upon the busy and innocent consumer to such a pitch that at length he turns in self-defense upon his oppressor. Stores are being established upon the plan of buying directly from the producer and selling directly to the consumer, without the costly machinery of intermediates. They have even commenced in the City of New York, where buyers have for long years considered themselves the natural prey of the sellers, and where the resistance of a consumer to being plundered is regarded as incorrigible contumacy.

We see in this fresh enunciation of the coöperative principle a vital protest against the malign influences of inflation. It is a hopeful sign, for it betokens an awakening which must lead ultimately to pregnant reflections and conclusions upon the underlying cause of the oppressions practiced upon the consumer. The resistance to extortionate and ruinous profits we may hope will end in equally effectual resistance to the scandalous and oppressive cause of high prices.

We warn the demagogues of inflation that they are playing with a two-edged sword in dabbling with their greenback theories. The great class of consumers, with diminished earnings, is

coming to the surface, with interests to be considered, and votes to be given. Their first want and most eager demand will be for food and clothing at cheap rates. They will not be satisfied by a paper money system which raises prices, fosters speculation, and brings anew into a hot-bed existence a swarm of greedy intermediates to fatten upon their necessities. Let it be remembered that if it be easy and pleasant to make paper money plenty, it is equally easy to spread dissatisfaction and distress by the enhanced prices that are sure to follow. The country could endure such exactions during a period of war, when every man was a direct or indirect recipient of Government profits, or Government bounties and pay; but in time of peace it could not be endured. The results would be untold sufferings, accompanied by agitations that would revolutionize parties, convulse society, and end in irreparable pecuniary disasters. Paper money not bottomed on coin never did stand, and never will stand. It will find its end in one of two ways. A rigid public virtue will cause it to disappear through a steady enforcement of its payment. An opposite temper will result in expansion, and one expansion will beget another, and this is the broad, open highway to a final explosion and general bankruptcy.

We are not at all disposed to play the part of a prophet of evil, and predict that this generation is going to land in such a Dismal Swamp as this; but the idea that the greenbacks should not be paid, and worse still, that the volume of them may even be safely increased, goes exactly in that direction; and until it is indefinitely abandoned by all sides, constitutes our most imminent peril.

CHAPTER XII.

DRIFTING AWAY FROM RESUMPTION.—DANGERS OF WHOLESALE REDUCTION OF TAXATION.

Unless Congress shall exhibit more intelligence and more moral courage than they have thus far shown evidence of pos-

sessing on the financial question, we stand a fair chance of getting quite out sight of land within the next twelve months.

We have been, and in fact are now, pretty near to resumption; and if our legislators were resolute and intelligent to grasp the situation as they might grasp it, we would be out of our difficulties in six months. But they are letting slip their golden opportunity, and by so doing they are allowing things to run into a condition from which we can see no reasonable prospect of extrication within any definite period.

At this moment we are flush. The Treasury has had a large income and shows good balances. If it could be allowed to retain both, and be permitted to fund about one hundred millions of its interest bearing and plain legal tenders, it could, by the aid of a sufficient foreign credit (not difficult to secure) maintain its hold and control the situation, till it carried the country triumphantly through resumption. But unless it can maintain its reserves, it is going to lose its power to do any such thing. The specie in the Treasury is the only basis the country has for resumption. The banks won't keep any, while they can pay in legal tenders. They have got no coin; and they will not buy it while they can bank at the expense of the Government, so innocently paying them three per cent. interest on a large portion of their reserves.

Now see what Congress is doing. It is slicing down the revenues in all directions. It has gone so far already as to establish a positive prospective deficit, on the most liberal estimate of receipts. Just so far as these estimates fail, just so much more will be the deficit. The most experienced calculators believe we shall fall short of the revenue to meet our expenditures in the next fiscal year by forty or fifty millions. Where is this going to leave us a year from the present Spring? Why, with one-half our present specie reserve dissipated, and with no diminution whatever of our volume of paper money—indeed we shall be lucky if it is not increased. If this prospect be realized, and there seems to be no doubt it will be, is it not plain that our ability to resume specie payments will gradually decline from this hour, and not be anything like as great a year hence as it is now? Are we not, then, drifting straight out to sea, with a prospect of being entirely out of sight of land within one or two years? If

Congress will not even consent to hold on to its present position of strength, but deliberately relinquishes its resources and position because it is more agreeable not to pay than it is to pay, does anybody suppose that a year hence, in the hurry of a short session, and the agitation of an incoming Administration, it is going to become suddenly virtuous and undertake to dam the currents it has knowingly set in motion? Yes, it will do it just so surely as the Ethiopian will change his skin or the leopard his spots. The fact is palpable that the action of Congress now is shaping results for the next two years, and when we shall have run astern a hundred millions, as we now seem likely to do within that period, what then will be the state of the Treasury balances, and what will be the prospect of resumption? There will be just as much paper money afloat then as there is now, or more, and not an available specie dollar in the Treasury to redeem it with. In fact, by that time it is not at all unlikely we shall be buyers of coin to pay our interest.

This, we say, is the present prospect, taking the recent action of Congress in cutting off the resources of the Treasury as the basis of opinion. We do not think there is any statemanship in the doctrine of Senator Conkling, that he is willing to face a deficit in order to stop lavish appropriations. If we were on a hard bottom this doctrine could be better tolerated—though, with a heavy national debt on our shoulders, it is only too probable that acting on it under any circumstances would create a greater evil than it would remedy. But, in view of its direct and pernicious influence on resumption, it is at this moment a most damaging rule of action.

Every dollar that we take out of the Treasury defers resumption. Every tax we remove by which we deplete it puts off the day of specie payments. Instead of this penny-wise and pound-foolish policy of sacrificing our revenues till we are sure not to have enough left to defray even the expenses of the Government, we ought to husband them faithfully and apply them energetically to extinguish those current obligations of the Government, which are prolonging the period of its insolvency and its disgrace, hindering the revival of trade and prosperity, and postponing the approach of that period and those conditions upon which alone can be built any solid anticipations of either health or regularity in our finances.

But who proposes anything of the sort in Congress? The friends of sound finance are a majority nowhere, not even in the Committees. The Democrats lack principle, and the Republicans lack pluck, and so the demoralization is general. Every weak body voted to change the policy of specie payments to one of indefinite suspension. Why? Chiefly because we are going to have a Presidential election. We admit, as cheerfully as anybody can, that every thing depends on carrying that election. If the Rebels and their Northern allies get possession of the Government, we know what that means. It is a road which leads into a quagmire. Anything is to be preferred to that. But we do not believe the Republicans gain anything by a proposition to take a longer road, landing at last in the same slough. We see neither sense nor good policy in trading away the strong position of the Treasury for the vaguest sort of political advantages. There will be other elections to come after 1868. The responsibilities of sound legislation cannot be shirked. If Congress now adopts a policy for a temporary purpose which will not stand the test of time and experience—which we know this rash proceeding of inviting a large deficit will not—it will incur, rather than escape, the most damaging political responsibilities. Before the Republicans in Congress finally abandon the only means and agencies they have for the control of the question of resumption, we beg to suggest that they should inquire into the manner in which they propose to treat the financial question in case they are, by the coming elections, left in control of the Government? We should suppose they must see by this time, that the very first step toward escaping from the embarrassment with which the whole subject is environed is resumption. It is the only method for abating the burden of the loan, and for settling the vexed and threatening question of taxation. Under such circumstances can a greater folly be perpetrated than to lose control of this result for years to come?

CHAPTER XIII.

HOW TO RESUME.—SIMPLICITY OF THE PLAN.—OBJECTIONS.

Congress constantly befogs itself over the consideration of methods of resumption. Everybody has his plans. Some want to resume at once, some want to defer resumption one year, some two, some five, some ten. Everybody but the immediate resumption men (alas! who are they?) has a patent piece of machinery by which the object can be effected so as not disturb anybody. Each man brings out his pet plan and explains its parts, every other man disbelieves in it, exposes its defects, or shows wherein it will not work, and thus, one after another, all these patent inventions get set back upon the shelf.

If our dealers in financial topics in Congress, would lay aside their desire for complex contrivances to accomplish simple ends, and would try simple methods, and follow plain ways instead, we are sure they would find fewer obstacles in their path. If, besides, they would not seek to postpone their action to a more convenient season, when everybody should be ready;

> "That gay to-morrow of the mind,
> —— which never comes,"

but would merely inquire what can be done to-day, and determine to do that, they would find all difficulties gradually disappear.

The resumption of specie payments is the most simple and homely of problems. It consists of nothing in the world but paying debts. Suspension and inflation results from nothing but this, that somebody owes more than they pay. It is a condition generally brought about by the few, not by the many. The great mass suffer and the few only profit.

The way to remedy the difficulty is simply to insist upon those paying who can pay. If it is the banks who owe, we have only to say to them, you must discharge your indebtedness. The world holds your promises to pay, to which you give no attention. Pay them, or at least so many of them as people want you to pay. A is in no want; B is not. They are contented to hold and use your promises. But C is differently situated; he owes debts

which your notes will not discharge, and he needs pay for such of them as he holds.

Unlock your reserves, which as banks and bankers you are supposed to have, and discharge your obligations. Is not this a reasonable demand? There is no machinery required for this operation. No automatic, rotary, patent instrumentality required to engineer the payment of a bank note over a counter. Yet, so far as the banks are concerned, this simple operation of discharging a debt due, is all there is of the too much exaggerated effort of resuming specie payments.

Nobody can deny the justice of such a requisition upon the banks. Banks are supposed to be, and they generally are, the most solid and solvent of all debtors. They hold the money deposits of everybody in the country who has money. They were established to pay. They are able to pay. They are expected to pay. They ought to pay. The demand that they do pay is the most proper and the most reasonable of all demands. What is more than all, they will pay when payment is insisted on.

We pass from the banks to enquire who else owes more than they pay, and thus stand in the way of specie payments, and that restoration of the equilibrium of our money system, which can alone put us on a par with other nations? The answer is—the Government itself. Just here we approach the practical point to which the efforts of our legislators should be directed. What can they do towards enabling the Government to pay its demand and overdue obligations now in the hands of those who want them paid? Is there any plain, homely, everyday thing they can do, each one and all of them, towards this simple but vital result? Well, there is. What is it? Why, just this: Allow the head of the financial department of the Government, known as the Secretary of the Treasury, to pay these obligations *just as fast as he is able to pay them.*

Is'nt that a simple process? And one, too, in which every man in Congress, high or low, has a voice and a vote? This is the one nearest duty to be done. It does not require any planning, nor scheming, nor any Butlerian, automatic, rotary patent system for its performance; and yet it is the one which, if faithfully and discreetly performed, overcomes every obstacle, and leads directly to a resumption of specie payments with the greatest

possible rapidity, (whatever that may be;) and yet, without undue celerity, and without arriving at that result one day too soon for the interest or ability of the country. For assuming, as we contend, all sound financiering must assume, that it is the first and most necessary duty of the Government to bring our circulating medium to a specie basis, and to shoulder the whole national debt manfully; this paying of debts will in no way abridge the ability of the country to discharge its obligations to its creditors. On the contrary, it will, by invigorating credit, and assuring stability to industrial operations, give a fresh impulse to the growth and prosperity of the country, and renewed strength and vitality to its finances.

This simple process of paying debts just as fast as the debtor, whether bank or Government, is capable of discharging them, is the true, and certain, and we must add, the only process by which the country can extricate itself from its present condition.

Pay we must, in the end, unless we intend to repudiate. And if we are in earnest to recover a solvent position, we must act so as to strengthen our credit. This is the speediest and cheapest method. To be sure, we can go mumping along on crutches, as we are now doing, but every day of our feebleness and wavering adds to the distrust of our recovery. An invalid who does not improve must be considered to be getting worse. If we really mean to pay, the sooner we say so, in no uncertain tones, and set about it in earnest, the easier we shall find it to preserve our credit, and the more speedily we shall revive our trade and industry.

Tricks and contrivances, and schemes of postponement, and above all, propositions to increase our paper money issues, in view of the plain duty and necessity of our case as we have now set it forth, it must be admitted will avail absolutely nothing. Unless we intend to escape from our situation by not paying at all, we contend that the more steadily and resolutely we pursue the paying policy the better for the country, and the sooner we shall be out on safe and solid ground, and the sooner will the general prosperity revive.

We have, in a former chapter, shown what we believe the Government can do, and what the banks can do, in the way of resumption. But this is neither here nor there. We may have

over-rated or under-estimated their ability. What we contend for now, is that true policy dictates both shall be required to do their best. And that Congress, instead of restraining the Secretary of the Treasury from discharging such obstructive liabilities in the way of resumption, as he has the ability to discharge, shall remove all restrictions upon him which now forbid such action; and in this way allow the Government to approach the payment of its current obligations just so fast as it shall find itself able to do so.

The stereotyped objection to this simple and natural, and ultimately inevitable course, we perfectly understand. It is, that when the Government withdraws its demand notes, the country will be without sufficient currency to do its business. To this there are two answers. In the first place, it is no part of the duty of the Treasury of any government to issue currency for the public use. And no solvent government does it. And no respectable theory of government can admit the propriety of a demand for such a currency for a moment. The issuing of it, at any time, is simply one of the make-shifts of insolvency. In the second place, the apprehension of a scarcity of money is without foundation. As we have often repeated, the world is plethoric of the precious metals; and this nation is one of the great producers of coin. Then we have a banking system capable of indefinite expansion, and of furnishing all the paper money the business of the country requires or can possibly maintain. And there is no reasonable objection to its extension on the simple condition that the banks shall pay their debts, like everybody else, when called upon.

These two sources of supply will give us all the money we need. They will prevent any possible dearth arising from the withdrawal of greenbacks. Our difficulty is that we have been running so long sustained by this wretched go-cart of Treasury money, furnished by the Government, that the country fears to trust itself to its own legs. It has gone on crutches so long, that though really hale and hearty, and indignant at all imputations of weakness, it yet hesitates to throw them aside.

The country is really in a comparatively sound condition, only that it distrusts itself, or we should say its legislators distrust it. If Congress would only discard its unmanly timidity, and cease to place an absurd reliance on a disgraceful paper system, it would soon find the country cured of all its financial ills.

CHAPTER XIV.

ON THE CHARACTER OF THE PUBLIC DEBT.

What is a public loan? A public loan is a creation of the law. The law gives it shape, dimension, substance, value, character. It makes it property; just as much property as a ship, a house, or a railroad. It is made a perfect and defined whole when it is created. It is like a dollar from the mint, and like it, is a specific and absolute quantity. When it is issued it comes into existence subject to the precise rights, privileges and burdens, of all other kind of property, except it be otherwise exempted. Government has no more claim or right to take hold upon it and subject it to exactions of any sort whatever, than it has to seize upon any other species of property and subject it to special impositions. Government does have a right to levy upon property to any needful and proper extent. It may impose taxes, it may make exactions. It may compel property to yield of its income, or of its substance. But it has no right to impose unequal burdens. All property must share alike and in proportion to its value. It may not seize upon a ship or a railroad, and compel it to yield up one-fifth or one-tenth of its earnings to the Treasury, while it imposes no such demand upon warehouses or on money at interest. It may not seize upon the coupons attached to its own loans and exact a share thereof, without being guilty of equal injustice.

Again, a public loan is a public contract between the State and its creditor. And a contract is an instrument which cannot be changed except by the parties to it. So sacred are the obligations imposed by a contract, that they were deemed worthy of protection in our fundamental law at the foundation of the Government. It is an express stipulation of the Federal Constitution that the validity of contracts shall not be impaired by legislation.

The public loan therefore is an absolute, well defined entity, in respect to its character as property, of as absolute substance and proportions as a church, a theatre, or a bank. And government has no more right over one than it has over the other.

It parted with every right over a public loan, that it does not hold equally against all property, when it fixed its terms, and receiving its agreed value, passed it over to the public creditor. Up to that period it could prescribe terms and conditions. After that period it has nothing left to it but to comply exactly and absolutely, with those terms and conditions. The idea has been advanced, (and it is the foundation stone of all the propositions to impose a special tax on the government bonds, or to diminish the established rate of interest,) that when a State makes a contract it may change that contract in any particular, except in those in which it has stipulated it would not change it. It seems incredible, but it is nevertheless true, that grave arguments for taxing the 5-20 bonds have been made in Congress, based upon this construction of the Government's right as a party to a contract.

Under such a construction, an instrument of this sort ceases to have any significance whatever. For example, the Government agrees to pay me one hundred dollars in twenty years, and during that period to pay me six dollars a year. For this agreement on its part I loan it one hundred dollars of my money. The contract is simple and direct. It constitutes, if made between individuals, an absolute and unchangeable bargain except by consent of both parties. But the claim in question applies to this contract, and it is held that inasmuch as Government nowhere says in such a contract that it will not tax the bond, that this is a reserved right it may exercise to any extent it pleases. In other words it may tax the bond out of existence. It thus becomes in effect a claim to annul the agreement and extinguish its value. Now this is the most transparent legal chicanery. For what is a contract? It is an affirmative proposition. It proposes to do certain things. And every just construction, and we suppose every construction ever put upon one since contracts were invented, excludes every interpretation which negatives its terms. In other words, a contract is an engagement to be fulfilled according to its precise stipulations. In its nature and essence it precludes all implications inconsistent with these stipulations.

In the light of this exposition of the essential nature of a public loan, we contend that Bills, like Mr. Sherman's and Mr. Henderson's, to lower the existing rate of interest on the national se-

curities, and propositions made in the House to exact a special deduction in the shape of a tax thereon, are alike inappropriate and discreditable. We contend that the Government has not the shadow of a right to do either. So long as the national faith is maintained they will not do either. They cannot tax, and they cannot abate the existing rate of interest, without violating a specific contract, without seizing private property and sacrificing it to public uses without compensation. Upon the supposition that we are not to abandon the line of integrity in treating the public creditors, these bills and propositions must then fail; and the sooner they are hustled out and committed to the waste basket, the better for the country, and the better for their advocates.

In aiming to secure two desirable objects, namely, the reduction of the rate of interest on the bonds, and the quieting of the agitation on the question of municipal taxation, they proceed upon impracticable lines of approach. The fact is, we cannot honorably secure either of these objects but in one way. That way is to pay off the existing loan, and to issue another, and make it subject to municipal taxation. This is the simple, and natural, and only quieting process. Happily, the existing loan is in that form which enables the Treasury to do this without violating anybody's rights. The 5-20s are due, or coming due directly. But the question arises, in what shall the 5-20s be paid? There is just one way to solve that question, and only one. That is, by equalizing the value of the greenback with coin. We must put our finances on a specie basis. Until we can summon resolution to do this, we shall continue to be environed with embarrassments and impediments, and be entangled at every step, and frustrated in every endeavor to relieve the country from the two agitating questions of rates of interest and method of taxation on our bonds, to which we have referred. But with resumption, we put an end, at once and forever, to all these difficulties. Until we do this they will be a never-ending and invincible perplexity.

CHAPTER XV.

INVIOLABILITY OF THE PUBLIC FAITH.—FATAL CONSEQUENCES OF REPUDIATION.

Having shown that Government, in creating a loan, creates a piece of property with all the rights of other property, and that it, at the same time, enters into a specific contract with its creditors, which it has not the slightest right to vary without their consent, we proceed a step further.

Government, in negociating a loan, does more than create property, or enter into an ordinary contract. It offers an obligation, and guarantees its performance, under the most sacred sanction known to mankind. As the debt it incurs is not recoverable by law, and cannot be enforced by any of the processes which run against property or individual debtors, Government, in lieu of this security to the holder of the loan, pledges the national faith and honor for its payment. It creates what is understood in all mercantile and financial circles as the highest species of obligation known in human transactions. This is the debt of honor. In all cases of ordinary bankruptcy, the debtor holds himself bound to pay this class of debts, whatever becomes of the general creditor. The debt for which a man pledges his general property may be but partly paid, for the property may prove in the end insufficient. But the debt which stands alone on the personal honor of the debtor, such, for example, as where the creditor is an endorser, is considered a debt to be paid at all hazards, and at all costs and sacrifices. A bankrupt debtor may escape all other obligations under plea of poverty, but these he can never escape without incurring a weight of odium fatal to his character.

Of the same nature, only of so much higher character, as Government is higher than the individual, are all Government obligations. The Government debt is the honorary debt for borrowed money. In the shape of obligation then, there is not, and cannot be, any higher or more solemn form of indebtedness that the Government promises to pay. No nation can repudiate this obligation, without setting an example fatal to the public morals,

and covering itself with disgrace. With what face can a government make or execute laws to enforce private contracts, while itself sets the example of the repudiation of public obligations? The repudiator is an enemy to law and order. He sets himself against society and government; for he inculcates the morals of the highwayman, and substantially proposes that the community shall practice the highwayman's vocation. Thus he practically advocates the dissolution of the social compact and of the political fabric. And yet, the rank fecundity of our violently agitated political times produces the repudiator, open and avowed, as well as the covert and disguised specimens. Our words, therefore, on this point are not wasted, superfluous as they should seem.

Again, no nation can afford to sacrifice its public credit, for no nation is truly independent, unless it has the power to assert its rights, avenge its wrongs, and defend itself against all comers. It must have the ability to make war, and, in our modern times, to make war on a large scale. If England claims to imprison our fellow citizens, on the ground that they are enemies in disguise, as witness the innocent sufferings of our unobtrusive and inoffensive Fenian brothers; or if she claims to build ships, and arm and man them, to plunder our shipping, as witness the Alabama and her Confederate ships, we must show ourselves able to repress and punish such injuries, or subject ourselves to wrongs and humiliation, even greater than these. If we propose to assert the rights of our French and German naturalized citizens against the oppressive military regulations of those two great powers, we must be able to punish, as well as to complain and threaten. But in order to deal successfully with either France or Great Britain, or any other great European power, we must possess the means to create great armaments, and carry on hostilities on a gigantic scale. If another great rebellion should arise within these States, or war should be waged upon us from our frontiers, or upon our long and exposed line of sea coast, what would save us from dismemberment and overthrow, but the ability to raise great armies, and create a great navy, wherewith to vanquish our enemies? What would have become of us during our late struggle, if the means had not been forthcoming to suppress the rebellion? In that event there would to-day be no great Ameri-

can Republic. Money is the sinews of war. Men cannot be paid, ships built, supplies furnished, armies moved, a navy equipped, a nation set in motion, without money, and without a vast supply of money. The huge and rapid movements of military operations in our days cannot be carried on without Public Credit. The nation that goes into war must simultaneously go into debt. But, what if the Public Credit is destroyed? What then comes of the national ability to make war, even in self-defence? The nation that is unable to borrow, is unable to make war, and the nation that is unable to make war, is a nation undone.

Such is the dilemma into which we, or any other nation, would be plunged by the destruction of the Public Credit. In that event, we should become the helpless prey of any great foreign power that chose to assail us. The nation would speedily dissolve, and fall to pieces of its own weight. Taxation might keep us above water while the sea was smooth, and peace reigned. but with the first strain, with the first storm, with the first external war, or the first great internal convulsion, we should be helpless for self-preservation, and to bottom we should go, where any people and every people deserve to go, who could display such dishonesty, and such imbecility, as a deliberate destruction of the Public Credit would imply.

It seems sufficient to present, even thus briefly and imperfectly, the consequences of such an insensate proceeding, to deter even the most ignorant and unprincipled from advocating a policy in our finances that looks to such a result.